





## FORWARD LOOKING STATEMENT

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements-written and oral-that we periodically make, contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



This Annual Report is available online at [www.ludlowjute.com](http://www.ludlowjute.com)

## Between the Covers

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# CORPORATE INFORMATION

Thirty Sixth Annual Report 2014-2015

## BOARD OF DIRECTORS

**Shri S. S. Kanoria**  
*Chairman Emeritus*

**Shri R. V. Kanoria**  
*Non-Executive Chairman*

**Shri A. C. Mukherji**  
*Director*

**Shri J. K. Bhagat**  
*Director*

**Shri I. P. Poddar**  
*Director*

**Shri B. Choudhuri**  
*Director*

**Shri L. G. Toolsidass**  
*Director*

**Shri S. Kapur**  
*Director*

**Ms. Nayantara Palchoudhuri**  
*Director*

**Shri Ajay Todi**  
*Managing Director*

**COMPANY SECRETARY**  
**Smt Puja Guin**

**CHIEF FINANCIAL OFFICER**  
**Shri R. K. Gupta**

**AUDITORS**  
**Singhi & Co.**  
*Chartered Accountants*

**BANKERS**  
Central Bank of India  
Allahabad Bank

**REGISTRAR & SHARE TRANSFER AGENTS**  
MCS Share Transfer Agent Limited  
12/1/5, Manoharpukur Road  
Ground Floor, Kolkata - 700 026  
Phone : +91 33 4072 4051 / 52 / 53  
Fax : +91 33 4072 4050  
Email : mcssta@rediffmail.com

**REGISTERED OFFICE**  
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**WORKS**  
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West Bengal, India  
Phone : +91 33 2642 8366  
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## Directors' Report

Dear Members

Your Directors take pleasure in presenting their Annual Report on the business and operations of the Company together with the Audited Financial Statements for the year ended 31st March, 2015.

### 1. FINANCIAL SUMMARY

(₹ in crores)

Particulars	2014-2015	2013-2014
Sales excluding excise duty	230.20	272.98
Profit before Finance Costs and Depreciation	(4.58)	10.69
Less : Finance Costs	4.26	1.90
Gross Profit	(8.84)	8.79
Less: Depreciation and amortisation	7.13	4.63
Profit before Exceptional Items and Tax	(15.97)	4.16
(Less)/ Add: Exceptional items	9.31	-
Profit before Tax	(6.66)	4.16
Less: Tax expenses	2.31	1.48
Profit for the Year	(4.35)	2.68
Add: Balance as per last financial statements	22.21	21.55
Adjustment for Depreciation (net of tax)	(0.96)	-
Add : Adjustment for Tax of earlier year	-	-
Profit available for appropriations	16.90	24.23
Appropriations:		
General Reserve	Nil	0.13
Proposed Dividend on Equity Shares	0.54	1.62
Corporate Dividend Tax	0.11	0.27
Total	0.65	2.02
<b>Balance carried forward to Balance Sheet</b>	<b>16.25</b>	<b>22.21</b>

### 2. DIVIDEND

The Board of Directors recommends, for consideration of shareholders at the Annual General Meeting, a Dividend @ 5% (₹ 0.50 per share) on Equity Shares of ₹ 10/- each for the year ended 31 March, 2015.

### 3. TRANSFER TO RESERVES

No amount has been transferred to the General Reserve.

### 4. OPERATIONS

During the year under review, the Company's sale was ₹ 232.51 crores (including exports of ₹ 44.53 crores) against sales of ₹ 275.74 crores (including exports of ₹ 43.13 crores) during the previous year. The production was 37195 MT against 48501 MT during the previous year.

The year gone by witnessed unprecedented difficulties in the Jute industry. Government orders for sacks for food grain packing had been irregular throughout the calendar year 2014 which directly impacted our working.

Delay in renewal of the Jute Packaging Materials Act (JPMA) created an environment of acute uncertainty. Lack of regular Government orders as per commitments made by the States, especially from Punjab, led to scenes of labour unrest and closures at numerous Jute mills. It is a matter of satisfaction that we were able to maintain harmony and continuous operations.

Jute prices witnessed a down-trend in the first half of 2014-15. However, due to lower jute production owing to unfavourable weather conditions, Jute prices have been bullish since the second half of the year. Inflationary pressures





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## Directors' Report

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in India resulted in huge increases in regular Dearness Allowance throughout the year. Further, in order to appease the huge labour force, the State Government exerted pressure on the Indian Jute Mills Association for accepting a massive hike in entry-level wages. This was finally accepted and will result in further increase in labour costs next year.

The year witnessed extreme volatility in foreign exchange rates and the weakness in the Euro following recession in Europe largely affected European business. However, we have been able to sustain our export levels last year. Indian Jute exports also remain under pressure due to lower export benefits as compared to Bangladesh where a ten percent export subsidy coupled with interest subventions to industry have been allowed by the Bangladesh Government to support their cause.

### 5. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### i) Industry Structure and Developments

The JPM (Jute Packaging Materials) Act, 1987 was finally renewed for 2014-15 vide a notification issued in January 2015 after a long period of uncertainty. Use of Jute, the natural bio-degradable eco-friendly fibre, extensively used for packaging and healthy preservation of food grains and sugar has been encouraged by the Government of India and the stipulation for packaging 90% of food-grains in Jute packaging was retained. Also, packaging of not more than 20% sugar in non-jute packaging was allowed with some exceptions allowed as desired by the sugar industry.

As stated earlier, lack of regular Government procurement in 2014-15 has caused great labour unrest at several mills. Incidents of violence were reported at several reputed mills as well. However, Ludlow has maintained harmony and peaceful operations in the face of such adversity.

A major initiative for promoting Jute geotextiles, especially for road applications, has been initiated by the Jute industry. Approvals for road applications for geotextiles have already been issued by several State Governments in the last year.

#### ii) Opportunities

Jute is recognised as a sustainable, natural, renewable, biodegradable and eco-friendly product. Leveraging the environment friendly nature of Jute is the single-largest opportunity which the industry has to latch on to. Creating awareness and enhancing the lifestyle appeal for Jute products could convert this industrial packaging based industry into a product of mass public appeal. Huge efforts are required in terms of vision and value creation through technological treatments, offered forms, marketing finesse etc. in order to move ahead. World population is faced with ecological problems due to non-biodegradable toxic waste generated out of synthetics like HDPE/PP etc. In this context prospects are there for usage of Jute geo-textiles, shopping bags, carpet yarns, apparel, composites, decoratives, upholstery furnishings, and also non-wovens for both technical and non technical purposes.

#### iii) Threats/Risks and Concerns

The JPMA (Jute Packaging Material Act, 1987) is renewed for one year at a time whereby there is uncertainty in the industry all the time. This does not augur well for bigger long-term investments in Jute sacking.

Productivity linked labour costs have to be instituted if the Jute industry has to be competitive vis-à-vis Bangladesh/Nepal. Ad hoc wilful absenteeism without prior notice is a cause of serious concern. Continuous increases in wage cost due to upward revision in base rate as well as dearness allowances is a major threat in view of the labour-intensive nature of the Jute industry.

Jute, being an agricultural crop, is dependent on weather conditions for growth. It also faces competition from other crops like pulses and oilseeds.

Central and State Government policies, especially with regard to export incentives and labour costs, require to be geared for providing a level playing field for the Jute industry to face competition from Bangladesh.

#### iv) Segment-wise or Product-wise Performance

As the Company's business activities fall within a single primary business segment, the disclosure requirement of Accounting Standard AS-17 issued by the Institute of Chartered Accountants of India stands compiled.

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## Directors' Report

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### v) Outlook

During the current year, the jute crop is expected to be normal with rain and weather conditions having been favourable. However, owing to the low carry over stock from 2014-15 jute year, the prices of jute are expected to remain at least 25% higher than last year in the first half of 2015-16. This would exert pressure on export markets as well as create substitution opportunities for synthetics.

On the domestic front, efforts have been made by the Jute Commissioner's Office for putting curbs on illegal imports from Bangladesh/Nepal by unscrupulous players. With the basis of Government orders getting linked to annual turnover and actual production, true players like Ludlow are likely to benefit in the long run.

While the local demand will be commensurate to growth in food grains output, the competition from the export subsidy aided and low wage cost assisted Bangladeshi Jute Industry will only grow. Improved productivity and value-additions have to be aimed for going forward.

The shake-up in the Middle-East, especially in Syria/Egypt and the changes in Iran are likely to create new avenues for business in that geography. USA and Europe business outlook is looking better now which augurs well for the future.

### vi) Internal Control System and their adequacy

The Company has adequate internal control procedures, which provide reasonable assurance with regard to safeguarding the Company's assets, preventing revenue leakages, promoting operational efficiency by cost control and compliance with various statutory provisions. Audit reports are placed before the Audit Committee on a periodical basis, for review. The Committee actively reviews the adequacy and effectiveness of the internal control systems which are well supplemented by surveillance of Internal Auditors.

### vii) Industrial Relations Front

While several untoward incidents were reported at other jute mills in the last year, we are happy to inform that industrial relations at your Company remained cordial during the year under review. The Company continues to provide benefits and facilities to deserving staffs under the various staff welfare schemes during the year. In conjunction with National Jute Board, your Company has implemented scholarship for children of jute mill workers extensively. During the Durga Puja festival, a talent competition for the jute mill workers' children was organized which was a unique step forward in community engagement at Ludlow. Collective participation is encouraged at all levels.

The Company has constituted an Anti-Sexual Harassment Committee for prevention, prohibition and redressal of complaints/grievances on the sexual harassment of women at work places.

### viii) Cautionary Statement

Statements made in this section of the report are based on the prevailing position in the jute industry and market conditions. Actual results might differ from what we perceive with respect to Company's outlook and performance.

## 6. CORPORATE GOVERNANCE

The Company has complied with the corporate governance requirements under the Companies Act, 2013 and as stipulated under the Listing Agreement with the Stock Exchanges, a separate section on corporate governance along with a certificate from the statutory auditors of the Company confirming the compliance, is annexed and forms part of this Report.

## 7. EXTRACT OF THE ANNUAL RETURN

As required pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return for the year ended 31st March, 2015 in MGT 9 is annexed as Annexure II, forming part of this report.



## Directors' Report

### 8. PARTICULARS OF LOANS, GUARANTEE OR INVESTMENTS

The Company has not given any loan, guarantee or made any investments exceeding sixty per cent of its paid up share capital, free reserve and securities premium account or one hundred per cent of its free reserves and securities premium account, whichever is more, as prescribed in Section 186 of the Companies Act, 2013.

### 9. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTY

A Related Party Policy has been devised by the Board of Directors for determining the materiality of transactions with related parties and dealing with them. The said policy may be referred to, at the website of the Company [www.ludlowjute.com](http://www.ludlowjute.com). The Audit Committee reviews all related party transactions quarterly. Further the members may note that there was no material contract or arrangement or transaction at arm's length basis entered with a related party during the year under review.

### 10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provisions of Section 134(3)(m) of the Companies Act 2013, read with Rule 8 of the Companies (Accounts) Rules 2014, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed as Annexure I forming part of this Report.

### 11. RISK & MITIGATING STEPS

The Company has identified various risks faced from different areas. As required under Clause 49 of the Listing Agreement, the Board has adopted a Risk Management Policy whereby a proper framework is set up. Appropriate structures are present so that risks are inherently monitored and controlled. A combination of policies and procedures attempts to counter risk as and when they evolve.

The Company has also formed a Risk Management Committee which monitors the risk element and mitigation procedures at periodical intervals. The constitution and terms of reference are set out in details in the Corporate Governance Report.

The risks and its mitigating factors are discussed by the Committee and subsequently placed before the Board.

### 12. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board of Directors of the Company has devised a CSR Policy at its Board Meeting held on 29th July, 2014 which inter-alia states the constitution of the CSR Committee and CSR activities to be taken up by the Company. The said policy may be referred to on the Company's official website [www.ludlowjute.com](http://www.ludlowjute.com).

The present constitution of the Committee is as follows :

Sl. No.	Name of the Director	Category	Designation in the Committee
1	Mr. J. K. Bhagat	Independent Director	Chairman
2	Mr. R. V. Kanoria	Non Executive Chairman	Member
3	Mr. Ajay Todi	Managing Director	Member

The Company has always been proactive in fulfilling its social responsibilities. Ludlow Academy, a primary school catering to education for children in the vicinity of its Jute Mill, is rendering yeomen service to the community.

However, CSR in terms of Section 135 of the Companies Act, 2013 was not mandated by the Board in view of impact on the shareholders given the current economic situation in the Jute industry.

### 13. VIGIL MECHANISM/WHISTLE BLOWER POLICY

A Vigil Mechanism/Whistle Blower Policy has been formulated by the Company for its Directors and Employees. The policy allows intimation by affected persons in good faith of any concern or misconduct through a written communication. The Audit Committee oversees the vigil mechanism for disposal of the complaints. The said policy may be referred to on the Company's website [www.ludlowjute.com](http://www.ludlowjute.com).

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## Directors' Report

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### 14. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. J.P. Sonthalia resigned as the Managing Director of the Company w.e.f 09th May, 2014 and subsequently resigned from the Directorship of the Company on 18th July, 2014.

Mr. B.M. Thakkar, who was appointed as the Managing Director of the Company on 09th May, 2014 has resigned from the said position on 23rd June, 2014.

Mr. Ajay Todi was elevated as the Managing Director of the Company with effect from 1st July, 2014.

After several decades of distinguished contributions to the Company's progress, Mr. S.S. Kanoria expressed his desire not to continue as the Chairman and Director of the Company due to health constraints and accordingly the Board accepted his resignation with effect from 29th July, 2014.

Ms. Nayantara Palchoudhuri, noted industrialist and an eminent citizen, was appointed as an Independent Woman Director by circular board resolution dated 24th September, 2014. This is also in keeping with the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Mr. R.K. Gupta, Vice President (Finance & Accounts), has been elevated as Chief Financial Officer of the Company in compliance with the provisions of the Companies Act, 2013.

None of the Directors of the Company are disqualified for being appointed as a Director, in terms of Section 164(2) of the Companies Act, 2013.

#### I. Declaration From Independent Directors on Annual Basis

The Company has received necessary declarations from each Independent Director of the Company under Section 149(7) of the Companies Act, 2013 that they meet the criteria of Independence laid down in Section 149(6) of the Companies Act, 2013.

#### ii. Nomination and Remuneration Policy

The Company has devised a policy on nomination and remuneration of Directors and Senior Management Employees. The Nomination and Remuneration Committee reviews the composition and diversity of the Board, keeping in view the requirements of Companies Act, 2013 and Listing Agreement and recommends to the Board, appointment/re-appointment of eligible personnel including their terms of appointment and remuneration. The Nomination and Remuneration Policy including criteria for determining qualifications, positive attributes and independence of a director has been formulated. The said Policy may be referred to on the Company's website [www.ludlowjute.com](http://www.ludlowjute.com).

The performance of the Board has been evaluated as per the policy in that regard laid down.

#### III. Ratio of Remuneration to each Director

Details of Ratio of Remuneration of each Director to the median employee's remuneration is annexed as Annexure IV.

### 15. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134 of the Companies Act, 2013, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- a) That in the preparation of the annual accounts for the financial year ended 31st March, 2015, the applicable Accounting Standards had been followed;
- b) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were responsible and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/loss of the Company for that period;
- c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;





## Directors' Report

- d) That the Directors have prepared the accounts for the financial year ended 31st March, 2015, on 'a going concern' basis;
- e) That the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively;
- f) That the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### 16. BOARD MEETINGS

During the financial year ended 31st March, 2015 five meetings of the Board of Directors of the Company were held at a gap not exceeding one hundred and twenty days as per Section 173 of the Companies Act, 2013 in the year under review. More details are available in the Corporate Governance Report.

### 17. AUDIT COMMITTEE

The composition and terms of reference of the Audit Committee have been furnished in the Corporate Governance Report forming a part of this report. There have been no instances where the Board has not accepted the recommendations of the Audit Committee.

### 18. PARTICULARS OF EMPLOYEES

No employee of the Company was in receipt of remuneration exceeding the limit as prescribed under Section 134 of the Companies Act, 2013.

### 19. FIXED DEPOSIT

Your Company has not accepted any deposits from public in terms of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

### 20. SUBSIDIARY COMPANIES

During the year no Company became or ceased to be a subsidiary, joint venture or associate of the Company.

The Performance and Financial position of the subsidiaries are as hereunder :

(₹ in 000)

Financial Position	Sijberia Industries Ltd.	Ludlow Exports Ltd.
Reporting Currency	INR	INR
Share Capital	10,440	2,500
Reserves and Surplus	10,384	338
Total Assets	21,099	2,953
Total Liabilities	21,099	2,953
% of Shareholding	53.91%	100%

Performance	Sijberia Industries Ltd.	Ludlow Exports Ltd.
Turnover	1,457	238
Profit before Tax	754	206
Provision for Taxation	238	65
Profit after Tax	516	141
Proposed Dividend	Nil	Nil

### 21. CONSOLIDATED FINANCIAL STATEMENTS

As stipulated by Clause 32 of the Listing Agreement with the Stock Exchanges, the consolidated financial statements have been prepared by the Company in accordance with the applicable Accounting Standards. The audited consolidated financial statements together with Auditors' Report form part of the Annual Report.

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## Directors' Report

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### 22. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS

No material changes and commitments affecting the Financial position of the Company have occurred between 31st March, 2015 and the date of Directors' Report.

### 23. LISTING WITH STOCK EXCHANGE

Your company is listed with BSE Limited and has paid listing fees for the financial year 2015-16.

### 24. STATUTORY AUDITORS

In the last AGM held on 5th September, 2014, M/s. Singhi & Co., Chartered Accountants had been appointed as Statutory Auditors of the Company for a period of three years. Ratification of the appointment of Statutory Auditors is being sought from the members of the Company at the ensuing AGM.

Further, the report of the Statutory Auditors along with notes to Schedules is enclosed with this report. The observations made in the Auditors' Report are self explanatory and therefore do not call for any further comments.

### 25. COST AUDITORS

As per directives of the Central Government and in pursuance to the provisions of Section 148 of the Companies Act, 2013 read with rules framed there under, the Company is required to carry out an audit of Cost Accounts maintained by the Company in respect of each financial year. In view of the same, M/s Prasad & Co., Cost Accountants have been appointed as Cost Auditors to conduct the audit of Cost Records of your Company for the financial year 2015-16. The remuneration proposed to be paid to them, recommended for ratification by the Audit Committee, requires ratification of the shareholders of the Company. In view of this, your ratification for payment of remuneration to Cost Auditors is being sought at the ensuing AGM.

### 26. SECRETARIAL AUDIT

In terms of Section 204, of the Act and Rules made thereunder, Mr. B.N. Khandelwal, Practicing Company Secretary has been appointed as Secretarial Auditor of the Company. The report of the Secretarial Auditor is enclosed as Annexure III to this report. The report is self explanatory and does not call for any further comments.

### 27. ENVIRONMENT AND SAFETY

Pioneering green business practices is the buzzword today. Your Company firmly believes in environment protection and conservation of natural resources to the extent possible. We have taken initiatives to produce eco-friendly products while complying with environment and pollution standards. Safety, in all aspects of manufacturing, is given full attention by the Company.

The Company has also obtained certification under ISO 14001:2004 for its Environmental Management Systems.

### 28. APPRECIATION

The Directors wish to place on record their appreciation for the commitment and contributions made by the employees.

They would like to express their sincere gratitude to the Banks, Government Authorities, Customers, Dealers and all Stakeholders for their continued support to the Company. We value the enduring relation and co-operation from all associates.

For and on behalf of the Board

Registered Office :  
6, Nandalal Basu Sarani  
(formerly: Little Russell Street)  
Kolkata - 700 071  
Dated : 12th May, 2015

**R. V. Kanoria**  
Non-Executive Chairman

**Ajay Todi**  
Managing Director